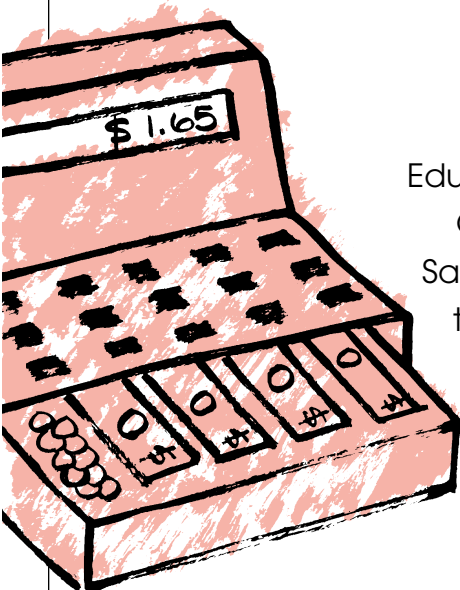


Tax Commission

IDAHO

RETAILERS



An
Educational
Guide to
Sales Tax in
the State
of Idaho

This brochure is intended to help retailers understand the sales tax laws that apply to their businesses. This information is based on the sales tax laws and rules in effect on May 1, 2003.

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I. GETTING STARTED

If you are a retailer making sales in Idaho, you must apply for an Idaho seller's permit and collect Idaho sales tax. The tax rate is 6% and applies to sales, leases or rentals of tangible personal property. It also applies to fees for admissions, recreation, hotel/motel/campground accommodations, subscriptions, intrastate charter flights and some types of labor.

WHO IS A RETAILER?

A retailer is someone who:

- Sells to a consumer who does not resell or rent the product he has purchased, and
- Makes more than two retail sales within 12 months, or makes it known that he sells a taxable product or service.

A retailer may be a business, a nonprofit organization, a government agency, or an individual.

DO I NEED A PERMIT?

Yes. You must get a seller's permit. You should also check with the local authorities where you will be selling to find out if any city or county permits are required.

Seller's Permit: A seller's permit gives you the authority to make sales within Idaho. The permit must be displayed prominently at your business. To get a seller's permit, you must fill out an application, which is available at any Idaho State Tax Commission office. There is no fee for the seller's permit.

Multiple Locations: If you have more than one business location, you will receive a seller's permit for each one. All locations will be assigned the same permit number if they all have the same business name. If your business locations have different business names, you must fill out a separate application and get a separate permit for each one.

When you mail your application, plan on two weeks for processing.

WHAT HAPPENS IF I START BUSINESS BEFORE I GET A PERMIT?

If you start your business without applying for the permit, you could be subject to penalties for making retail sales without being properly registered.

However, if you must mail your application and cannot postpone your business' opening while waiting for your permit, keep a copy of your application as proof you have applied and go ahead and collect the correct tax from your customers. Remit the tax when you receive your permit and first packet of tax returns.

DO I HAVE TO GET A SELLER'S PERMIT IF I PLAN TO SELL FOR ONLY A SHORT TIME?

Yes. A temporary seller's permit is issued to individuals and groups who are not active retailers and are planning a one-time fundraiser or bazaar. A temporary seller's permit can be easily obtained by calling or visiting any Idaho State Tax Commission office.

A temporary permit is good for only one sale or function, so you must get a new one whenever you have another event.

WHAT IF I AM SELLING AT AN EVENT SPONSORED BY A PROMOTER?

If you are selling at a swap meet, flea market, gun show, fair, or similar event, you must have a Seller's Permit. The promoter may ask you to complete Form ST-124, Idaho Sales Tax Declaration, Promoter-Sponsored Event. If you do not have a Seller's Permit, you may be able to get a temporary permit from the promoter when you complete the ST-124. This will save you time. Or, you can contact the Tax Commission for your temporary permit.

WHAT IF I GET A PERMIT BUT MAKE NO SALES?

You must file a return even if you make no sales. However, if you report no sales for 12 consecutive months, your permit will be cancelled. Once cancelled, the permit is no longer valid and cannot be used.

IF I BUY SOMEONE ELSE'S BUSINESS, CAN I USE HIS SELLER'S PERMIT?

No. A permit cannot be transferred. You must apply for a new one.

(NOTE: When you buy a business, you should write to the Idaho State Tax Commission and ask whether any sales or use tax is due from the previous owner of the business. If so, you will want to withhold this amount from the purchase price of the business. If you do not follow this procedure, you are responsible for any sales and use taxes unpaid by the previous owner.)

HOW AND WHEN DO I REMIT THE TAX I CHARGE?

After charging tax to your customers, you remit this money to the state on a Sales Tax Return, form 850 (see example on page 5). A packet of these forms, along with instructions, will be mailed to you after you apply for your seller's permit.

Most businesses must file returns every month. The tax due for each month must be paid to the state by the 20th day of the following month, or the next workday if the 20th falls on a weekend or holiday. For example, the taxes you charged in July are due by August 20.

Businesses that owe less than \$500 tax per quarter are allowed to remit their taxes quarterly. These taxes are due within 20 days after the end of the filing period.

Also, wholesalers with no retail sales and some nonprofit organizations are allowed to remit taxes annually. These taxes are due by January 20.

WHAT IF MY CUSTOMER HASN'T PAID ME BY THE TIME MY TAX RETURN IS DUE?

You must still pay the tax to the state. Sales tax is due on the accrual method of accounting. That means taxes charged to your customer in June must be paid to the state by July 20, even if the customer has not yet paid you.

850 IDAHO SALES AND USE TAX RETURN

PERMIT NO. 001034136-S FROM 12-01-2003 TO 12-31-2003

TAX DUE ON OR BEFORE 01-20-2004

JOHN Q TAXPAYER
SAMPLE - TEST
800 PARK BLVD
BOISE ID 83712-7742

Mail to: State Tax Commission, PO Box 76, Boise, Idaho 83707-0076

I do hereby swear or affirm that this information is true and correct to the best of my knowledge.

Authorized Signature

Date

850M
4-18-03

☐ Mailing address change ☐ Cancel permit

1. Total sales	-----
2. Less nontaxable sales	-----
3. Net taxable sales (line 1 minus line 2)	-----
4. Use tax (if you are a retailer)	-----
5. Total taxable (add lines 3 and 4)	-----
6. Tax (6% of line 5)	-----
7. Adjustments (attach explanation)	-----
8. Tax due (total of lines 6 and 7)	-----
9. Penalty (Add after due date)	-----
10. Interest (add after due date)	-----
11. Total due	-----

WHAT SHOULD I DO IF I DON'T GET MY SALES TAX RETURNS IN THE MAIL?

Contact any Idaho State Tax Commission office. Personalized returns will be mailed to you the next business day.

WHAT HAPPENS IF I AM LATE IN FILING THE RETURN?

The penalty for filing late returns is either 5% of the tax due for each month the return is late (to a maximum of 25%), or \$10, whichever is larger. The penalty applies to returns that are even one day late. In addition to the penalty, interest must be added. The interest rates for calendar year 2002 and 2003 are:

- 2002 – 7% per year (.58% per month)
- 2003 – 5% per year (.42% per month)

The interest rate changes each year.

WHAT RECORDS MUST I KEEP, AND FOR HOW LONG?

Your sales tax records must be kept at least four years. They must include:

- Daily record of all cash and credit sales;
- Sales invoices;
- Records of all purchases, including all invoices, purchase orders, etc.;
- Records of inventories taken at least once a year; and
- Records to support any exempt sales you have made or deductions you have taken on your return.

NOTE: You must be especially careful to keep track of any tax-exempt sales. If you do not document these sales correctly, you may be held liable for any sales tax that was not paid at the time of sale. Read Brochure #5—Retailers @ Wholesalers: Making Exempt Sales.

HOW DO I CALCULATE THE TAX?

You calculate the sales tax by either:

- Using the sales tax "bracket card" that will be mailed to you with your first tax returns, or
- Multiplying the total sales amount by 6%.

The total sales amount includes all items in one sale. For **example**, if three items totalling \$10.50 are sold together, tax is calculated on the total, rather than the individual prices of the three items in the sale.

CAN I INCLUDE THE SALES TAX IN MY SALES PRICE?

No. The amount of the tax must be listed separately on the sales invoice. Also, you cannot offer to pay the tax yourself or advertise that you will not charge the tax.

IF MY BUSINESS IS IN ANOTHER STATE, MUST I APPLY FOR A SELLER'S PERMIT AND COLLECT IDAHO SALES TAX?

In many cases, yes. For more information, read Brochure #6, Out-of-State Businesses.

WHAT ABOUT MAIL-ORDER OR INTERNET FIRMS?

If your mail-order or internet firm is located in Idaho, you are considered an Idaho retailer and must tax any sales you make to buyers in this state. If your firm is located outside of Idaho, you may still have to collect Idaho tax. See Brochure #6, Out-of-State Businesses, for more information.

WHAT ABOUT MULTI-LEVEL MARKETING FIRMS?

Multi-level marketing distributors must ensure that tax is properly paid on the products they sell and use. In most cases, dealers and distributors of multi-level marketing products must get a seller's permit and collect Idaho sales tax.

Some multi-level marketing firms register with the state to collect all the sales tax for their distributors. In this case, the firm sells the product to the distributors at wholesale prices but collects sales tax on the suggested retail sales price. When the distributor sells the product to his customer, he reimburses himself for the tax he paid at retail. A distributor should make sure his supplier has a sales tax permit by asking for the permit number.

II. WHAT TO TAX, AND HOW MUCH

This section explains what sales are taxable and how much of the sales price should be taxed. While the information covers a wide range of sales, there are separate brochures available on many of the major retail industries, such as motor vehicle dealers, repair shops, motels, restaurants, etc.

TAXABLE SALES

Sales tax applies to retail sales of the following goods and services:

- **Tangible personal property**
Anything you can feel, see, touch, weigh or measure, other than real property
- **Admission charges**
Examples:
Tickets to a movie
Cover charges at a club
The price to see an entertainer
- **Fees charged for use of a facility or for use of tangible personal property for recreation**
Examples:
Fees charged by outfitters
Membership fees to health clubs
Renting a park for a picnic
- **Providing hotel/motel or campground accommodations**
Examples:
Renting a room for less than 31 days
Renting a banquet room at a motel
Renting a campsite
- **Any custom-made tangible personal property**
Examples:
The entire price for a custom-built desk
The entire price for a made-to-order dress
- **Labor to produce, process, or fabricate tangible personal property**
Examples:
The fee to cut and wrap a customer's deer
The labor fee to make a table from a customer's lumber
The fee to form a customer's metal

- **Any publication, or labor to print or imprint**

Examples:

A subscription to a newspaper or magazine
A newspaper bought at the grocery store
A fee to have business cards printed
A fee to engrave a customer's trophy

- **Food, meals and drinks and the labor to prepare or serve**

Examples:

Buying a hamburger and soda at a drive-in
Buying a cocktail at a lounge
A mandatory tip that is added to a meal sales slip
The entire fee to cater food for a party

- **Intrastate (within Idaho) charter flights**

Examples:

Hiring a charter flight to go from Coeur d'Alene to Nampa
Hiring a helicopter for sightseeing over Boise
Hiring a charter flight to take goods from Idaho Falls to Twin Falls

- **Renting or leasing tangible personal property**

Examples:

Renting a boat for the day
Leasing a car for three years
Renting bowling shoes at a bowling alley
Leasing a copy machine for a year



SALES PRICE

The terms “sales price” and “purchase price” mean the same thing. It is the price paid by a buyer to a seller for any of the products or services listed earlier. This is the amount that must be taxed.

Tax is due no matter how the buyer pays the seller. He can pay with cash or check, on credit, or he may pay the seller with his own goods or services (barter). In each case, a sale has occurred and sales tax is due.

WHAT PART OF THE SALES PRICE MUST BE TAXED?

Items considered to be part of the taxable sales price are:

• Transportation to the retailer

These are fees charged for shipping the goods to the retailer. See page 15 for more information on transportation charges.

• Manufacturer's or importer's excise tax

These are federal taxes that are levied before the retail sale level, but may still appear as a separate item on the bill to the buyer.

Examples include taxes on tires, automobiles, beer, wine, cigarettes and gasoline.

• Incidental services performed by the seller as part of the sale

These are services that are incidental to the sale, such as a charge for assembling the item.

• Manufacturer's coupon or rebate deduction amounts

These are rebates, buy one – get one free coupons, or discount price coupons offered by the manufacturer of the product, such as those found in cereal boxes. Special rules apply to motor vehicles – see Brochure #14, Motor Vehicles.

• Prompt payment discounts

These are discounts that encourage the buyer to pay his bill on time, such as a 2% discount if a bill is paid within a certain number of days.

Example: Tom orders tires from Jim's Tire Store. Tom has a \$5 manufacturer's discount coupon for the tires. Jim's Tire Store does not have the tires in stock, and has to order them from the manufacturer in Detroit. When Tom picks up the tires at Jim's Tire Store, he charges them to his account. Tom gets a bill that reads:

Four tires at \$80 each	\$ 320
Manufacturer's excise tax	\$ 12
Freight from manufacturer	\$ 27
	\$ 359
Less manufacturer coupon	<\$ 5>
Total due	\$ 354
(If paid by the 10th, take a 2% discount and remit only \$347.)	

The tax on this invoice must be charged on \$359, even though Tom paid the bill by the 10th and only paid \$347 for the tires. All of the separate charges are defined by the law as part of the taxable sales price.

WHAT SEPARATELY LISTED CHARGES ARE NOT TAXABLE?

None of the following charges or deductions are taxable, if they are listed separately on the sales invoice to the buyer:

• Trade-in allowances for merchandise traded in on other goods, whether in part payment, full payment, or exceeding full payment.

The trade-in adjustment is allowed only on purchases made from a retailer and not on transactions between individuals.

• Trade discounts offered by a retailer

This discount can be in the form of a coupon, a marked-down price, or a discount offered to a good customer. Note that this does not include the prompt payment discount or any coupon or rebate offered by a manufacturer; these two discounts are taxable.

• **Federal excise taxes levied at the retail level**

These taxes are levied either on the retailer or the buyer. They include the federal luxury tax on autos and the federal tax on large tractor/trailer units. It is a retail federal excise tax.

• **Shipping and handling** charges for shipping the goods directly to the consumer, as long as the charges are separately stated.

• **Installation labor**, such as the labor to install parts in a customer's car.

Labor to repair a customer's own goods is not taxable, but the parts sold must be taxed.

• **Insurance** charges on goods rented or sold.

• **Interest, carrying charges, service charges or financing charges** on goods sold (special rules apply to leases – see Brochure #11, Rental and Leasing Firms.)

Here are some examples that will help explain these nontaxable amounts.

Example: Tom buys a stove from Fred's Appliance Store for \$800. Fred agrees to give Tom a \$250 trade-in allowance on his old stove. Fred's Appliance Store agrees to deliver the stove to Tom for an additional \$25. Fred's must charge tax on \$550 (\$800-\$250). The \$25 delivery fee is not taxable if listed separately on the invoice.

Example: Tom's Construction buys lumber costing \$1,000 from Fred's Building Supply store. Tom is a regular customer, so Fred gives Tom a 15% trade discount of \$150. Tom must pay tax on \$850 (\$1,000-\$150).

Example: Mary buys a diamond ring for \$1,000. The dealer agrees to ship the ring directly to Mary. Mary agrees to pay the bill over six months with 18% interest. She is late on one of her payments and has to pay a \$5 late charge. Mary must pay tax only on the \$1,000. The other separately stated charges are not taxable.

SUMMARY

Taxable

Nontaxable

- | | |
|---|---|
| • Services agreed to be rendered as part of the sale of tangible property | • Installation charges |
| • Freight in to retailer | • Freight out direct to buyer |
| • Manufacturer refund coupons | • Retailer coupons |
| • Manufacturer rebates on goods other than motor vehicles | • Manufacturer rebates on motor vehicles |
| • Discounts for prompt payment | • Trade discounts |
| • Trade deductions between individuals | • Trade-in allowances given by retailer |
| • Federal excise tax levied before the retail level | • Federal excise tax levied at retail level |
| | • Finance, carrying or interest charges |



NONTAXABLE SALES

Some examples of nontaxable sales are listed below. This is not a complete list, but includes the questions most often asked by retailers.

Examples of nontaxable sales include:

- **Real property** sales, rentals or leases, such as
 - office spaces
 - living space, other than motel or hotel accommodations
 - lockers
 - boat docks
 - billboards
 - parking spaces, other than campground or trailer park accommodations
 - storage spaces
 - booth space at fairs
 - facilities rented for a recreational purpose when sales tax is collected on admission charges.
- **Custom software.** This is computer software made specifically for one customer. (Canned or prewritten software is taxable.)
- **Telephone toll charges**
- **Taxicab fees**, bus tolls
- **Flights between states**, or any regularly scheduled flight to anywhere.

EXEMPT SALES

Some sales are exempt from tax. These sales usually fall into one of the following categories:

- 1) The buyer is exempt;
- 2) The buyer's industry is exempt;
- 3) The goods will be put to an exempt use; or
- 4) The goods will be resold.

For a detailed explanation of exempt sales and how to document them, see Brochure #5 – Retailers & Wholesalers: Making Exempt Sales.

TRANSPORTATION CHARGES

The charge for shipping goods directly to the consumer is not taxable if it is separately stated. This is true regardless of how the item is shipped or delivered. However, the charge for shipping goods to the retailer's location is taxable to the customer.

Example: Bill orders a part from Gary's Automotive. Gary does not have the item in stock, so he orders the part to be shipped from the manufacturer to his store. Gary then ships the part from his store to Bill. Bill's invoice reads:

The part	\$100.00 (+ sales tax)
Freight-in to Gary's Automotive	15.00 (+ sales tax)
Freight and handling to Bill	20.00 (no sales tax)

If Gary had asked that the part be shipped directly to Bill, the shipping and handling from the manufacturer to Bill would not be subject to sales tax, if separately stated.

IF THE GOODS ARE SHIPPED TO A BUYER FROM A MANUFACTURER, IS THE SHIPPING TAXABLE?

The shipping charges are not taxable, if they are separately stated.

Example: A retailer orders goods from a manufacturer and asks the manufacturer to ship the goods directly to the retailer's customer. The manufacturer ships the goods and sends the retailer a bill for the goods plus the transportation to the customer. The retailer, in turn, bills the customer for the goods and the freight charge. As long as the freight is listed separately on the invoice to the buyer, the freight is not taxable because the item was shipped directly to the buyer.

WHAT IF THE GOODS ARE EXEMPT FROM SALES TAX? IS THE FREIGHT STILL TAXABLE?

No. If the goods are not taxable, then the freight charges are also exempt.

Example: A retailer orders a part for a farmer's tractor and has the manufacturer ship the part to the retailer's store, where the farmer picks it up. The retailer bills the farmer for the part and the cost of the freight. If the farmer has filled out an exemption form (ST-101) for the retailer, no tax is due on the part or the freight.

ARE HANDLING CHARGES TAXABLE?

The handling charge for shipping goods directly to the consumer is not taxable, if it is separately stated. However, the handling charge for shipping the goods to the retailer is taxable when the retailer charges it to the customer.

SPECIAL TOPICS

Special rules apply to the following:

Warranty or service agreements: Warranty and service agreements fall under two categories and may or may not be taxable depending on the category.

MANDATORY: A warranty or service agreement that is required as a condition of the sale, lease or rental of tangible personal property is taxable whether the charge is listed separately or not. Parts replaced under the warranty are not taxed since they are considered to have been taxed when the mandatory warranty or service agreement was sold.

OPTIONAL: If the buyer has the option of getting the warranty or service agreement, tax does not apply to the purchase if it is listed separately on the billing. When an optional warranty or service agreement is sold, parts are taxable to the seller of the agreement when he or a third party does repairs under the agreement.

Coupon books: A coupon book consists of two or more retailer's coupons sold to a buyer, allowing him to use the coupons as all or part of the purchase price of tangible personal property or services. The sale of the coupon book is not taxable. The property obtained with the retailer's coupon is taxed on the amount paid after subtracting the coupon amount.

Membership cards: The purchase of a membership or card that entitles the holder to buy merchandise is not taxable. **Examples** include membership fees paid to video rental stores, and warehouse stores.

Gift certificates: The sale of a gift certificate is not taxable until it is used. When it is used, tax applies to the entire sales price of the goods before deducting the value of the certificate.

Layaway sales: A layaway sale is not taxed until the customer picks up the goods.

Free merchandise coupons: When a customer presents a retailer's coupon for free merchandise, no sale has occurred and no tax is collected from the customer. However, if the merchandise given away was purchased without paying tax, the retailer is liable for tax on his cost of the merchandise.

Manufactured homes and modular buildings: When a manufactured home (mobile home) or modular building is sold new, it is taxed on 55% of the retail sales price. When these units are sold used, they are not taxable.

To qualify for this special rule, a manufactured home must be at least 8' x 40' or 320 square feet and be designed for use as a dwelling. If it is smaller, or is designed to be used as something other than a dwelling, the entire retail sales price is taxable, whether sold new or used.

A modular building is anything other than a manufactured home that is prebuilt at a place other than the site where it is set in place. Building "kits" do not qualify for this special rule and are taxed on 100% of the sales price.

Sales to nonresidents: When a resident of another state buys goods in Idaho, he must pay Idaho tax. An exemption applies only when goods are shipped or delivered to a customer out of state (special rules apply to aircraft, motor vehicles and trailers – see Brochure #14, Motor Vehicles, and Brochure #15, RVs, Boats & Aircraft).

Sales other than resale inventory: Sales tax must be collected on all of the goods a business sells, even if the item being sold is not part of the normal inventory. For example, if a business sells its delivery van to an employee, the business must charge sales tax.

Bad debts: If you are unable to collect sales tax from a customer and write it off on your records as a bad debt, you can claim a credit for the tax on your next sales tax return. See Rule 063.

Rescinded sales: If a customer returns merchandise you sold him and you refund the purchase price to him, you must also refund the sales tax he paid.

Local Sales Taxes: Some Idaho cities and counties may have local option sales taxes. For a current listing, visit the Tax Commission's Web site at www2.state.id.us/tax and click on FAQs.

III. PURCHASES BY RETAILERS

ARE MY PURCHASES TAXABLE?

If you buy goods for resale from a seller doing business in Idaho, you must give the seller a completed form ST-101, Sales Tax Resale or Exemption Certificate, for his records. Once this form is on file with the seller, it is valid for all future exempt purchases.

WHAT IF ALL MY SUPPLIERS ARE OUT OF STATE?

Many out-of-state suppliers are required to collect Idaho sales tax. If any of your merchandise suppliers are registered to collect Idaho tax, you will need to give them a completed form ST-101.

WHAT ARE SOME EXAMPLES OF ITEMS ON WHICH I SHOULD PAY TAX?

You should pay tax on any goods you buy that are not for resale to your customers.

Examples include:

- Merchandise display racks and equipment
- Cash registers and other selling equipment
- Cash register tape or sales invoices
- Flyers handed out to customers
- Advertising inserts
- Price stickers (unless special product information is on them, such as stickers used in the meat department of a grocery store)
- Office equipment and supplies
- Warehouse shelving, equipment and supplies
- Incidental materials you use to repair a customer's product when the value is minimal and you do not itemize it, such as lube grease, screws or nails, etc. (Read Brochure #10, Repair Shops.)
- Merchandise you take from your resale inventory to use yourself or give away. (Read Brochure #2, Use Tax)

FOR MORE INFORMATION, READ:

Brochure #2	Use Tax
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Brochure #6	Out-of-State Businesses
Brochure #10	Repair Shops
Brochure #11	Rental & Leasing Firms
Brochure #13	Vending Machines & Amusement Devices
Brochure #14	Motor Vehicles (Selling, Leasing & Renting)
Brochure #15	RVs, Boats & Aircraft
Rule 011	Retail Sales/Sale at Retail
Rule 018	Retailer Defined
Rule 024	Rentals or Leases of Tangible Personal Property
Rule 043	Sales Price or Purchase Price Defined
Rule 063	Bad Debts and Repossessions
Rule 105	Time and Imposition of Tax, Returns, Payments

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the Idaho State Tax Commission.
It does not provide comprehensive
explanations of Idaho tax laws
or rules. Specific questions
should be addressed to the
Idaho State Tax Commission
or a qualified tax practitioner.

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